

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SSO-00 INRE-00 CAB-02
CIAE-00 COME-00 DODE-00 DOTE-00 INR-07 NSAE-00
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C O N F I D E N T I A L SECTION 01 OF 02 LONDON 10095

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STATE FOR E, EB
PASS DOT (ADAMS, DAVENPORT, KAMM), CAB (KAHN, RODRIGUEZ)
FROM ALAN BOYD

E.O. 11652: GDS
TAGS: EAIR, UK
SUBJECT: US-UK CIVIL AIR SERVICES NEGOTIATIONS: STATUS
REPORT

1. ALTHOUGH A NUMBER OF IMPORTANT ISSUES REMAIN UN-
RESOLVED, UK DELEGATION TODAY SHOWED FIRST SIGNS IT MAY
BE PREPARED TO MOVE SIGNIFICANTLY TOWARD OUR POSITION.
I AM CONTINUING TO PRESS FORWARD ON ALL MAIN ISSUES
OVER THE WEEKEND SO THAT I CAN GIVE THE PRESIDENT
FULL ASSESSMENT MONDAY AFTERNOON. AT THIS POINT, IT IS
NOT POSSIBLE TO PREDICT WHETHER AN AGREEMENT CAN BE
REACHED ON THE MAIN ISSUES BY JUNE 21, BUT I WOULD LEAN
SLIGHTLY TOWARD BELIEVING THAT AN AGREEMENT IS POSSIBLE.
PREPARATIONS FOR CESSATION OF AIR SERVICES MUST CONTINUE
TO CONVINCE BRITISH OF OUR SERIOUSNESS OF PURPOSE.
FOLLOWING IS STATUS AS OF SATURDAY EVENING LONDON TIME.

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2. CAPACITY.
A. ON THIS CRITICAL QUESTION, THERE IS A GOOD
CHANCE THAT UK WILL ACCEPT A SIMPLE ARRANGEMENT TO DEAL
WITH EXCESS CAPACITY ON NORTH ATLANTIC PASSENGER
SERVICES, WHICH UK CANNOT USE ROUTINELY FOR MARKET SHARE
PURPOSES. (CAPACITY MECHANISM WOULD NOT APPLY TO CARGO
SERVICES OR OTHER ROUTE AREAS.)

B. IN VIEW OF RECENT UK DISCUSSION, MUCH OF THE PREAMBLE TO THE CHARTER MECHANISM ANNEX (I.E., LANGUAGE WE DEVELOPED TO EMPHASIZE THAT THE PROCEDURES SHOULD BE USED ONLY IN EXCEPTIONAL CASES AND THAT PRINCIPLES OF COMPETITION AND AIRLINE INITIATIVE MUST BE MAINTAINED) IS NO LONGER NECESSARY, AND CAN BE ABBREVIATED. UK OBJECTS STRONGLY TO SUBSCRIBING TO PHILOSOPHICAL STATEMENTS IN THE PREAMBLE THAT THEY DO NOT SHARE, BUT WILL ACCEPT THE CONCEPT THAT CAPACITY PROCEDURES ARE TO BE USED ONLY IN EXCEPTIONAL CASES OF CLEAR EXCESS CAPACITY.

C. BRIEFLY, THE CAPACITY MECHANISM PROVIDES FOR PRESCREENING BY AN AIRLINE'S OWN GOVERNMENT OF FREQUENCY INCREASES, WITH INTERGOVERNMENTAL CONSULTATIONS IF NECESSARY. IN CASE OF DISAGREED CONSULTATIONS, EACH AIRLINE WOULD BE ENTITLED TO INCREASE FREQUENCIES TO SOME LEVEL, INDIVIDUALLY DETERMINED FOR IT.

D. IF UK FINALLY ACCEPTS OUR LATEST APPROACH, THERE WILL BE NO MENTION OF SEAT FACTORS AND NO PENALTY PROVISIONS IF AIRLINES FAIL TO ACHIEVE PREDICTED RESULTS.

3. ROUTES

A. IN THE PACIFIC, WE HAVE AGREEMENT ON THE UK ROUTE TO THE WEST COAST WITHOUT THE FULL MIRROR RECIPROCITY THE UK ORIGINALLY WANTED, BUT THE BRITISH ARE STILL HOLDING OUT ON OUR RIGHTS TO CARRY TRAFFIC

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O 182210Z JUN 77 ZFF 4

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 10095

BETWEEN HONG KONG AND SOME THIRD COUNTRIES. I BELIEVE
THE BRITISH WILL EVENTUALLY GRANT THE RIGHTS WE NEED.

B. FURTHER DISCUSSION IS REQUIRED ON ATLANTIC
ROUTES WHERE THE REMAINING ISSUES ARE (I) UK ACCESS TO
SEATTLE; (II) RESTRICTIONS AT NEW DELHI AND TEHRAN ON
PANAM'S ROUND-THE-WORLD ROUTE; (III) OUR RIGHTS TO
CARRY TRAFFIC BEYOND LONDON TO GERMANY AND SAUDI
ARABIA; (IV) OUR RIGHT TO COMBINE TRAFFIC FLOWS ON
AIRCRAFT FLYING BEYOND LONDON; AND (V) A FEW
OPERATIONAL FOOTNOTES. SAUDI ARABIA RIGHTS AND POINT
(IV) ABOVE WILL BE THE MOST DIFFICULT PILLS FOR UK TO
SWALLOW. WE INTEND TO HOLD OUT FOR THE THINGS WE REALLY
NEED (INCLUDING POINT (IV)). A FEW CONCESSIONS ON OUR
PART WILL BE NECESSARY BECAUSE, IN THE LAST ANALYSIS,
WE CANNOT FORCE THE BRITISH TO GIVE US MORE THAN THEY
ARE GETTING.

4. DESIGNATION. UK HAS SO FAR FORMALLY WITHHELD
AGREEMENT ALLOWING TWO US AIRLINES TO OPERATE LOS
ANGELES-LONDON. (IT HAS AGREED TO TWO AT NEW YORK.) I
BELIEVE THEY WILL COME AROUND, BUT POSSIBLY ONLY FOR
SOME OTHER CONCESSION ON OUR PART.
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5. CHARTER LINKAGE. UK RECOGNIZES IMPORTANCE TO US OF
A LINKAGE OF CHARTER AND SCHEDULED SERVICES ADEQUATE TO
PROVIDE FOR NEGOTIATION OF A CHARTER SERVICES AGREEMENT
WITHIN ONE OR TWO YEARS, BUT RESISTS ACCEPTING PROVISIONS
GIVING US SUFFICIENT LEVERAGE TO ASSURE SUCH AN
AGREEMENT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PROGRESS REPORTS, NEGOTIATIONS, AVIATION AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LONDON10095
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770218-1194
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770642/aaaablba.tel
Line Count: 161
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b86d827a-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 14-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2104667
Secure: OPEN
Status: NATIVE
Subject: US-UK CIVIL AIR SERVICES NEGOTIATIONS: STATUS REPORT
TAGS: EAIR, UK, US
To: WHITE HOUSE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/b86d827a-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009